MCI Communications Corporation

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February 12, 1999

Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Ex Parte Submission
      Federal-State Joint Board on Universal Service; CC Docket No. 96-45
      Forward-Looking Mechanism for High Cost Support for Non-Rural LECs; CC
      Docket No. 97-160

Dear Ms. Salas:

Enclosed is a revised HAI Switching and Inter-office Module and Master file. The Switching and Inter-office Module modifies the application of the line fill factor in the calculation of autonomous (per line cost and DLC offset), host (switch size in vlookups and DLC offset), and remote switches (switch size in vlookups and DLC offset), zeroes out the trunk adjustment factor to reflect use of the Commission's switching cost data in the Commission's Synthesis model, and makes other minor modifications detailed in the list of modifications included in the module.
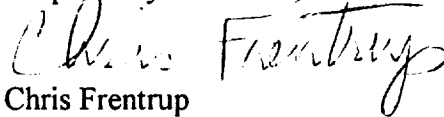
In addition, the HAI Model expense modules previously provided to the Commission calculate two factors to assign the appropriate amount of general support investments and expenses to UNEs used in the provision of basic local exchange service.

- The "Total Operations General Support Allocator" ('96 Actuals!H115) is the ratio of corporate operations and customer operations expense in the embedded ARMIS data to total expenses in the embedded ARMIS data. The complement of this factor is applied to investment in motor vehicles, garage work equipment, and other work equipment. The purpose of this factor is to recognize that only a portion of total investment in these categories is used by workers supporting basic local telephone service.

- The "Office Worker General Support Allocator ('96 Actuals!H116) is the ratio of network operations expense plus a portion of corporate operations expense in the embedded ARMIS data to the sum of network operations expense, customer

operations expense and corporate operations expense in the embedded ARMIS data. This factor is applied to investment and expenses in furniture, office equipment, general purpose computers, and buildings. The purpose of this factor is to recognize that, of office workers, only workers associated with the network operations expense category plus some portion of corporate operations workers support the provision of basic local telephone service. The cost of these expenses supporting the customer operations associated with basic local telephone service is captured in the billing and collections cost per line added to UNE costs for universal service.

Finally, the HAI sponsors have argued that no Marketing expense is necessary for the basic local exchange service to be given universal service support. At most, if any Marketing expense is required, that expense should reflect only the cost of a "tombstone" advertisement placed in local newspapers announcing the availability of service. As an example of the cost of such an advertisement, USA Today lists the cost of a black and white, 1/8th page advertisement placed on a Friday of $18,000, with a circulation of 2,483,519. (See their website at http://www.usatoday.com/ads/usat/usat6.htm.) If one such advertisement were placed each month, it would cost less than one cent per customer per month.

Respectfully submitted,

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cc: Bob Loube, Sheryl Todd, ITS

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1 DISKETTE (See 96-45)